

A HIGHER EDUCATION FUNDING FORMULA? by Ellen Jeffries, Deputy Director

After the enactment of the fiscal year (FY) 1999-2000 appropriation bill for four-year public universities, many questions have arisen regarding the policies included within the appropriations, the primary query being: Is there a formula for Higher Education funding?

Governor John Engler's proposal for the FY 1999-2000 budget did include formula funding for a portion of the Higher Education budget. The Governor recommended four funding "tiers" for the 15 universities based on system-wide average instructional expenditures for each academic program multiplied by the number of credit hours each university taught for each program. Universities that spent similar amounts for their academic programs were grouped together. Once the groupings were established, the Governor set per-resident-student funding floors for each grouping. The Governor proposed to spend \$21.5 million on this concept but then reduce \$7.0 million by imposing a 5% cap on the amount of increase over FY 1998-99 that each university could receive for the funding floors; thus, the total recommended for "formula" funding was \$14.5 million out of a \$1.5 billion budget.

The House of Representatives concurred with the Governor's recommendations but the Senate did not, and in the Conference Committee the Senate version of the budget was used as the basis for discussion. The Senate had recommended no tiers for the universities, but had recommended one \$4,500 per-student funding floor (based on the total number of students rather than only Michigan resident students) with a total appropriation of \$19.0 million. The Senate did not recommend any direct recapture of these dollars, but after adding funds for other purposes, did impose an 8.6% overall cap on the amount of increase over FY 1998-99 that each university could receive.

The Conferees on the Higher Education budget made only two changes to the Senate appropriation numbers for the universities: \$3.6 million was added for Michigan State University and \$1.04 million for the University of Michigan-Ann Arbor. The Conferees also included new language to "recognize 5 separate university groupings" with funding floors for each of the groupings. No funding, however, was associated with this language.

So to the question: "Is there a funding formula for Higher Education?", the answer would most likely be more "no" than "yes": Yes, there are portions of the Higher Education budget that are calculated based on funding per student; but the FY 1999-2000 Higher Education appropriations are generally based on a mix of factors and assumptions, including the rate of inflation, the missions of the universities, historical funding patterns, and testimony received by the Higher Education Subcommittees during budget hearings.